

## Message Text

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PAGE 01 RIO DE 03131 150302Z  
ACTION ARA-14

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03  
INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03  
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07  
CEA-01 L-03 H-01 AGRE-00 DOE-15 SOE-02 PA-01  
/115 W

-----034980 152324Z /15

R 131950Z JUL 78  
FM AMCONSUL RIO DE JANEIRO  
TO SECSTATE WASHDC 6471  
INFO AMEMBASSY BRASILIA  
AMCONSUL SAO PAULO

LIMITED OFFICIAL USE RIO DE JANEIRO 3131

E.O. 11652: N/A  
TAGS: ECON, BR  
SUBJECT: GOB TO INSTITUTE NEW CONSUMER PRICE INDEX SYSTEM

REF: RIO 2425

1. FOLLOWING LOCAL PRESS REPORTS CONCERNING UPCOMING  
CHANGES IN GOB METHOD OF CALCULATING CONSUMER PRICE INDEX,  
CONGEN ECON/COML OFFICER SPOKE TO DR. ISAAC KERSTENETZKY,  
PRESIDENT OF THE BRAZILIAN INSTITUTE OF STATISTICS AND  
GEOGRAPHY (IBGE) TO CLARIFY DETAILS OF PROPOSED CHANGES.  
(FYI: IBGE IS THE GOB AGENCY WHICH OFFICIALLY APPROVES  
AND PUBLISHES PRICE INDICES AND OTHER ECONOMIC DATA. IT  
RECEIVES SUBSTANTIAL ASSISTANCE FROM THE GETULIO VARGAS  
FOUNDATION IN THE ACTUAL CALCULATION OF THESE FIGURES.  
END FYI.)

2. KERSTENETZKY STATED THAT PROPOSED CHANGE WILL CREATE  
A NEW CONSUMER PRICE INDEX (CPI) WHICH WILL MEASURE  
CHANGING COSTS OF GOODS CONSUMED BY THE LOWER INCOME  
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PAGE 02 RIO DE 03131 150302Z

GROUPS IN METROPOLITAN REGIONS. THE NEW INDEX WILL BE  
BASED ON A MARKET BASKET OF PRODUCTS WHICH REFLECTS  
ONLY THOSE GOODS AND SERVICES LIKELY TO BE PURCHASED BY  
LOW INCOME GROUPS LIVING IN URBAN AREAS, EXCLUDING  
HIGHER PRICED ITEMS BEYOND THEIR FINANCIAL MEANS. THE  
GENERAL CPI, WHICH APPLIES TO ALL INCOME LEVELS, WILL  
CONTINUE TO BE CALCULATED IN THE SAME MANNER AS BEFORE.

3. THE NEW, LOW INCOME CPI WILL NOT BE IMPLEMENTED UNTIL THE BEGINNING OF 1979, WHEN FIGURES FOR ONLY THE RIO DE JANEIRO METROPOLITAN REGION WILL BE CALCULATED. IMPLEMENTATION WILL BE COMPLETED BY MID-1980, AT WHICH TIME A LOW-INCOME CPI WILL BE CALCULATED FOR ALL MAJOR URBAN CENTERS (E.G. RIO, SAO PAULO, PORTO ALEGRE, BELO HORIZONTE, RECIFE, SALVADOR AND THE FEDERAL DISTRICT). GENERAL CPI FIGURES WILL CONTINUE TO BE PUBLISHED FOR THESE AREAS AS WELL.

4. COMMENT: POSSIBLE GOB MOTIVE FOR CREATING LOW-INCOME CPI IS THE IMPACT THESE FIGURES COULD HAVE ON IMPLEMENTATION OF GOB WAGE POLICY. AS NOTED IN REFTTEL AND UNDERScoreD BY RECENT LABOR UNREST IN SAO PAULO, GOB WAGE POLICY HAS MET WITH GROWING CRITICISM FROM LABOR GROUPS WHICH ARGUE THAT GOB-ESTABLISHED WAGE INCREASES HAVE NOT KEPT PACE WITH THE INCREASES IN THE COST OF LIVING FOR LOW INCOME, WAGE EARNERS. BY THE NEW LOW-INCOME CPI WILL PRESUMABLY INCREASE AT A SLOWER RATE THAN THE GENERAL CPI BECAUSE MANY OF THE PRODUCTS IN THE RESTRICTED MARKET BASKET ON WHICH IT WILL BE BASED ARE SUBJECT TO GOB PRICE CONTROLS. THUS, THE GOB MAY BE ABLE TO MAINTAIN ITS POLICY OF SETTING LOW WAGE ADJUSTMENTS WHILE MINIMIZING THE DISCREPANCIES BETWEEN THESE WAGE INCREASES AND THE NEW LOW-INCOME CPI.

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PAGE 03 RIO DE 03131 150302Z

END COMMENT.

DEXTER

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NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** POLICIES, PRICE STABILITY  
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**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
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**Original Handling Restrictions:** n/a  
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**Reference:** 78 RIO DE JANEIRO 2425  
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**Review Event:**  
**Review Exemptions:** n/a  
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**Status:** NATIVE  
**Subject:** GOB TO INSTITUTE NEW CONSUMER PRICE INDEX SYSTEM  
**TAGS:** ECON, EFIN, BR  
**To:** STATE  
**Type:** TE  
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**Review Markings:**  
Sheryl P. Walter  
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